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LANSING

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ENROLLED BILL ANALYSIS

BILL NUMBER: Senate Bill 1107 as introduced

TOPIC: Professional Employer Organizations; Amends section 13m of the Michigan Employment Security Act

SPONSOR: Senator Jack Brandenburg

CO-SPONSORS: N/A

COMMITTEE: Senate Finance
House Commerce

DATE INTRODUCED: May 1, 2012

DATE ENROLLED: June 14, 2012

DATE OF ANALYSIS: June 20, 2012

ADMINISTRATION POSITION:
Administration is neutral on the bill.

PROBLEM/BACKGROUND

Some observers (namely Professional Employer Organizations or PEOs) believe PA 269 of 2011 unintentionally affected their current contracts and application of PA 269 would materially affect previously negotiated contracts. As a consequence, this bill was introduced to temporarily revert certain technical portions of the law to pre-PA 269 levels to avoid unintended consequences.

DESCRIPTION OF BILL

The bill temporarily amends the look-back period for a client of a PEO from 12 quarters to eight quarters through December 31, 2013. The look-back period in this instance is the number of quarters of tax account inactivity before a new 2.7% tax rate can be assigned. Quarters of inactivity refers to the number of quarters that the employer reported no employee payroll to the Unemployment Insurance Agency.

SUMMARY OF ARGUMENTS

Pro

A client of a PEO has only to wait eight quarters to be assigned a new employer tax rate. Additionally, for a PEO, this amendment coincides with the January 1, 2014 effective date for client level reporting.

Con This is the only industry receiving a temporary exemption from PA 269 requirements for a 12 quarter look-back period.

FISCAL/ECONOMIC IMPACT

Are there revenue or budgetary implications in the bill to the –

(a) Department

Budgetary: None

Revenue:

Comments: The change from eight to 12 quarters occurred with PA 269 of 2011. This bill reversed the change.

(b) State

Budgetary: None

Revenue: May have a negligible negative affect on the Unemployment Insurance Trust Fund.

Comments:

(c) Local Government: None

Comments:

OTHER STATE DEPARTMENTS: No other state departments affected

ANY OTHER PERTINENT INFORMATION

Public Act 269 of 2011 amended the look-back period in Section 19 and 13m from eight quarter to 12 quarters to comply with the Federal Unemployment Tax Act (FUTA).

Public Act 383 of 2010 added Section 13m to MES Act. Section 13m requires client level reporting by the PEO for unemployment insurance purposes on and after January 1, 2014.

Those in support of the bill:

National Associated of Professional Employer Organizations (NAPEO)
Access Point
Muchmore, Herrington, and Smalley

ADMINISTRATIVE RULES IMPACT

No